



#### BY OLEG SUKHOV SUKHOV@KYIVPOST.COM

Editor's Note: When it comes to investigating the crimes of the powerful, Ukraine's law enforcement and justice system have proven to be impotent. No high-profile murders have been solved. And high-level corruption, which by official estimates took \$40 billion out of Ukraine from 2010-2014 alone, remains unpunished. As Prime Minister Volodymyr Groysman said at the Yalta European Strategy

conference on Sept. 17 about the failure to prosecute anyone for major crimes: "You can't catch a big fish with a small, thin rod."

The following are among the most high-profile and publicized cases that are languishing.

#### **EuroMaidan murders**

The investigation into the murder of more than 100 protesters during the 2013-2014 EuroMaidan Revolution tops the list. The revolution prompted Viktor Yanukovych to abandon the presidency on Feb. 22, 2014. The third anniversary of the start of the revolution is on Nov. 21.

Five pro-government thugs went to jail for assaulting protesters, but no one has been jailed for the

more Crimes on page 10





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# **Pritzker: Investors**

While U.S. President Barack Obama is the first American leader since Ronald Reagan not to visit Ukraine while in office, his top emissaries have made multiple trips during his administration.

**BY BRIAN BONNER** 

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2 National

The latest high-level visit came this week from Commerce Secretary Penny Pritzker, the billionaire businesswoman from Chicago whose Jewish paternal great-grandfather, Nicholas J. Pritzker, emigrated from Ukraine to America 135 years ago.

She is making her third trip to Ukraine as commerce secretary to talk business and, this time, to lead Obama's delegation for the weeklong 75th anniversary commemorations of the Babyn Yar massacres. Babyn Yar is the Kyiv ravine where Nazi German soldiers killed 100,000 people -- two-thirds of whom were Jews -- during their two-year occupation of Ukraine during World War II. Pritzker told the Kyiv Post in an interview on Sept. 29 that the honor is intensely personal.

#### No to indifference

"In the face of that kind of atrocity, we can't afford indifference. We have to do is speak out against hate," Pritzker said. We have to uphold the ideals of inclusion and tolerance and this in an opportunity to step back and reflect on that and how important it is that our leaders uphold the idea.'

Pritzker's other focus, of course, is on the economy and trade. Pritzker played an instrumental role in the first U.S.-Ukraine Business Forum held in Washington, D.C., on July 13, 2015, to help drum up investor interest in Ukraine. While she said Ukraine has made progress on the rule-of-law and anti-corruption fronts since then, much more



# need faster reforms

**September 30, 2016** 



U.S. Commerce Secretary Penny Pritzker greets members of Ukraine's Cabinet of Ministers during her visit to Kyiv on Sept. 2. She led U.S. President Barack Obama's delegation to the events commemorating the 75th anniversary of Babyn Yar. On Sept. 28-29, 1941, Nazi soldiers killed nearly 34,000 Jews. (Anastasia Syrotkina)

remains to be done before investors are willing to commit more deeply.

#### **Big investors visit**

She was accompanied by representatives of such major companies as Lockheed Martin, Cargill, Citigroup, GE Transportation and Westinghouse.

She praised Prime Minister Volodymyr Groysman, who succeeded Arseniy Yatsenyuk in April, for making difficult but necessary decisions such as increasing gas tariffs, starting judicial reforms and making improvements on tax-and-customs policies.

However, Pritzker cited the need for stronger and swifter efforts in combatting corruption, protecting intellectual property, improving tax and customs policies and privatization of land and 3,500 state-owned enterprises.

She and the business represen-

#### 6-8% growth needed

Ukraine needs 6-8 percent annual GDP growth to achieve its "goals and objectives," Pritzker said. "We know how hard reform is on the people of Ukraine. We also know this economic growth is not possible without reform...there's a real opportunity -- that, obviously, your paper plays in holding up standards, holding people accountable, pointing out when they're not living up to the objectives they say they want to achieve...They can't take their foot off the gas."

At a U.S. Commerce Departmentsponsored workshop on commercial law development in Kyiv, Pritzker in remarks on Sept. 28 emphasized the same themes. "The issues surrounding corruption -- both real and perceived -- continue to negatively impact Ukraine's potential for trade and investment." And: "Let's not forget that, if you do not follow through on your ambitions, the businesses

#### 'Very deep' relationship

The bilateral relationship is "very deep and quite specific and not superficial at all," Pritzker said. "I don't think I would make anything of that (Obama's failure to visit Ukraine) because certainly President Poroshenko and Prime Minister Groysman have seen our president plenty of times. There's a lot of places the president hasn't been able to go, so I wouldn't judge the relationship by that. I would judge it by what's actually happening beaten our two countries."

During Pritzker's visit, the two nations finalized an agreement for a third \$1 billion U.S. loan guarantee after Ukraine met U.S. and International Monetary Fund conditions for further credits. The financial support "is a reflection of our desire to see Ukraine to move towards an economy free from corruption, a democratic and independent, eco-

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tatives met with President Petro Poroshenko, Groysman and members of parliament to convey a sense of urgency.

#### 'Take action now'

"At a time when the prime minister and president want more foreign direct investment, they need to know what is preventing companies from making that investment," Pritzker said. "They need to take action now. The moment is not going to remain forever. There are other countries and other opportunities for companies and they'll lose interest if they don't see continuous progress."

While Ukraine's gross domestic product, after plunging in the last two years, is likely to grow this year by 1 percent -- to almost \$100 billion, it's not enough to build an economy that Ukrainians want, Pritzker said.

you hope will invest here will start to look elsewhere."

#### No Obama trip

Pritzker rejected the idea that the lack of a presidential visit by Obama during his eight years in office means that Ukraine is not one of America's top priorities.

"The Ukrainians and certainly the government should recognize what a significant role the United States is playing in helping their government really pave the way for the future of a free and independent and prosperous Ukraine," Pritzker said. "I have been here three times. President Poroshenko, Prime Minister Yatsenyuk and now Prime Minister Groysman have been to the United States any multitude of times in the last couple of vears.'

nomically strong country," Pritzker said

She said one of Obama's top priorities before leaving office on Jan. 20 is to make progress towards the Minsk peace agreements to end Russia's war against Ukraine, which has claimed 10,000 lives. The Obama administration has led the Western push for sanctions to punish Russia for the war and the illegal annexation of Ukraine's Crimean peninsula, but Republican presidential candidate Donald Trump has suggested he may take a softer line against Russian President Vladimir Putin.

"Our president has been steadfast in saying that the Ukraine government needs to follow through on its Minsk obligations and is working hand-and-glove with the Ukrainian government on these issues as we speak," Pritzker said. "There's a lot of urgency around getting this done."



# Snyder: Babyn Yar events are healthy sign of remembrance

#### **BY BRIAN BONNER**

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Ukraine suffered the worst of the 20th century: Bolshevik Revolution and Russian civil war, the Holodomor, the Holocaust, Nazi and Soviet conquest, Joseph Stalin and many other tragedies.

But not only does the nation endure in the 21st century, many Ukrainians -- and their supporters abroad -- are working hard to make the country thrive.

Few historians know Ukraine's past and present better than Timothy Snyder, the Yale University professor, author of "Bloodlands" and frequent visitor to the nation. Snyder has been in Ukraine for the week-long series of events to commemorate the 75th anniversary of Babyn Yar, the ravine in Kyiv where Nazi German soldiers murdered 100,000 people -- mostly Jews -- from 1941-1943.

Snyder, in an interview with the Kyiv Post on Sept. 29, said he can see three "broad connections" between Ukraine's past traumas and its present challenges.

#### **Civil society**

One is the destruction of civil society during Stalin's first five-year plan from 1928-1932, when the forced starvation of up to seven million Ukrainians took place ending in 1933. The Soviet idea was to weaken rural life, one of the bedrock strengths of Ukrainian culture.

"The famine destroyed that,"

Snyder said. "It didn't just kill people, it ripped apart relationships, it destroyed people's trust in one another. I think the ability of people to trust neighbors was seriously deformed by that -- the sense of culture coming from the countryside."

But people's trust in each other and the strength of civil society have roared back to life, with three progressively stronger revolutions starting just before Ukrainian independence -- the Granite Revolution in 1990, the Orange Revolution in 2004 and the EuroMaidan Revolution of 2013-14

"Absolutely - Maidan, Maidan, Maidan. Each Maidan is more of a success in trust in strangers. Civil society is very functional here. Everyone is struck that you can run a more-or-less modern society during a war with a very weak state and a functional civil society."

Even the defense against Russia's war, Snyder said, has depended on civil society. "That requires trust" among people, he said.

Moreover, he said, Ukraine differs from Russia profoundly in "attitude towards the state," especially the "notion that you have a right to rebel against the state," which Ukrainians believe far more strongly than Russians. The two nations are "mainly different because of political styles that have emerged over 25 years," he said.

In fact, one of the reasons for Russia's war against Ukraine is that, for the Kremlin, "the idea of

from abroad attend a memorial ceremony on Sept. 29 marking the 75th anniversary of the mass murders of Jews by the Nazis at the ravine of Babyn Yar in Kyiv. (Mykhailo Markiv)

Ukraine as a European model and a European success is a threat to the way they've decided to set up their system...If Ukraine were Belarus, there wouldn't be a war."

#### **Repairing trust in state**

The second connection between past traumas and present realities involves people's trust in state.

That still hasn't happened yet. And it's understandable, given the horrible repression that Ukrainians have suffered historically from all-powerful and ruthless rulers.

But trust in the state must return for Ukraine to have functioning government and institutions, Snyder said.

A return to government repression is "not impossible, but it's unlikely," Snyder said. "The tipping point was February 2014. The state tried to make people afraid (with the murders of 100 EuroMaidan Revolution demonstrators.) They succeeded. They were afraid. But they acted anyway. It's hard to go back after the state was beaten."

Now, Snyder said "it's a question of people who are not afraid of the state penetrating and changing the state." This is starting to happen with the post-revolution generation of young leaders from 20 to 45 years of age, he said. "In order to modernize, you can't have a state that is dysfunctional. It has to work better and people have to trust that the state can work better," Snyder said. "It's definitely a problem here." Ukraine's leaders, such as President Petro Poroshenko, can help by letting the younger generation come to power rather than fearing and threatening them. The oligarchs can also play a helpful or harmful role in the nation's development. "Oligarchs themselves have to think: 'What is my legacy?' It's not like we're going to take their money away," Snyder said. They have to ask themselves: "Am I going to be remembered as a state builder or am I going to be remembered as a



schmuck?' They have plenty of time and money to think about it."

And the West, he said, has an obligation to stay engaged with Ukraine - not just for what it can give, but for what Ukrainians can give -- and keep persistently pushing for positive reforms and change. "We in the West can't afford to back out," he said.

#### **Healing or exploitation?**

The third connection between past traumas and present realities is that politicians have abundant opportunities to exploit or heal societal divisions.

"You have many more possible opportunities for political actors to divide society. That's a risk," Snyder said. But there's a positive side if people and politicians "look at each other and say these (historic events) are all pieces of the puzzle that we can talk about." Ukraine needs to have this national dialogue, he said.

On this score, the elaborate events to commemorate Babyn Yar's 75th anniversary, backed by the state and financed by public and private sources, is a healthy development for Ukraine, he said.

"Things on this scale don't happen very often. It's a very good thing for different reasons," Snyder said. "This is where (the Holocaust) started. This is where half of it happened and this is where we learned what people are capable of."

He said the Ukrainian nation "is being built all the time" and the decision to elevate the victims of the past was "a pretty big choice" to signal the current values and future direction of the state. "It was a very good choice," he said. ■



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A woman walks past an exhibition of photographs by Luigi Toscano at the Babyn Yar memorial complex on Sept. 29. The portraits are of people who survived the Holocaust. (Kostyantyn Chernichkin)



American historian Timothy Snyder of Yale University presents the Russian edition of his book "Bloodlands: Europe Between Hitler and Stalin" on June 22, 2015 in Kyiv. (UNIAN)

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# **4** Opinion

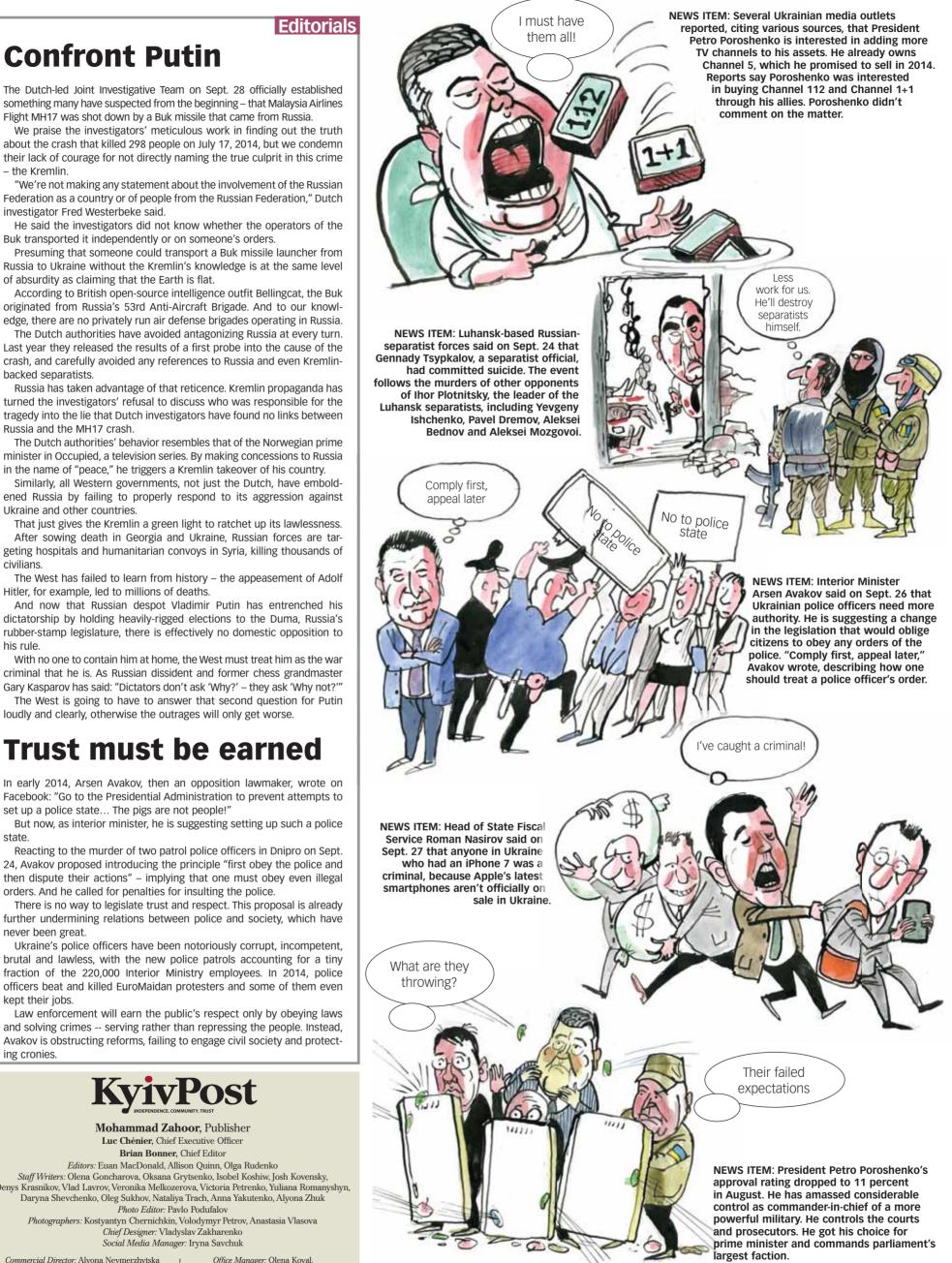
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and solving crimes -- serving rather than repressing the people. Instead, Avakov is obstructing reforms, failing to engage civil society and protecting cronies.



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# National 5

# **Kyiv Post Events**



Participants in the Kyiv Post CEO Dinner on Sept. 28 in the Hyatt Regency Hotel discussed foreign aid to Ukraine. Deloitte Ukraine sponsored the event. Guests included, from left, Oksana Syroid, deputy speaker of the Verkhovna Rada; James Horner of Deloitte; and Holger Tausch, director of the **Swiss Cooperation** Office. Others were: Andriy Bulakh of



Deloitte, the moderator; A. Kishore Rao of Deloitte; Sevki Acuner of the European Bank for Reconstruction and Development; Joanna Wagner of the U.S. Embassy in Ukraine; Sabine Mueller of GIZ; Olena Tregub of the Economy Ministry; Igor Smelyansky, CEO of UkrPoschta; Andrei Pivovarsky, former infrastructure minister; Danish Ambassador Christian Dons Christensen; Oleg Mistuque of Kyiv City Investment Agency, Mykolaiv Mayor Alexander Senkevich; Infrastructure Minister Volodymyr Omelyan; Marcus Brand of the United Nations Development Program; and Brian Bonner, Kyiv Post chief editor. (Kostyantyn Chernichkin)







# **6** Business

# This week's roundup of key business news

#### **BY NATALIE VIKHROV** AND ISOBEL KOSHIW NATALIE VIKHROV@GMAIL.COM

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#### Bank to be liquidated

The State Land Bank will have its banking license withdrawn and enter liquidation following a decision by the National Bank of Ukraine on Sept. 27.

The state-owned bank was classified as problematic in March, after it was revealed that there was a conflict of interest within the bank. It was then declared insolvent on July 26 following its failure to address the problem to the satisfaction of the NBU.

Established in 2012 by Ukraine's Cabinet of Ministers, its purpose was to provide lending support to the agriculture industry.

However, according to the NBU, "in the absence of amendments to laws and regulations, since being granted a banking license, the bank has hardly performed any of the banking activities prescribed by its by-laws.

No individuals' deposits have been placed with the bank, which means there will be no financial impact on the Deposit Guarantee Fund from the closure of the bank.

#### Moldova meat ban

Moldova banned imports of Ukrainian meat from Sept. 29 to prevent the spread of African swine flu. Moldova's Cabinet of Ministers took the decision after Moldovan Prime Minister Pavel Filip set out an action plan to counter the spread of the disease two days earlier.

The ban includes meat, animal by-products from animals susceptible to the flu, as well as raw materials used for animal feed

African swine fever is deadly but only affects animals and not humans, according to the European Commission. The price paid by farmers has been heavy. Ukraine's State Service for Food Safety and Consumer Protection said on Sept.

with compensating farmers for their losses, and the burden should be carried by the state budget.

Ukraine has had 50 cases of African swine flu in 2016, and 40 cases in 2015, according to a report by Ukrainian news agency UNIAN.

The latest case was on Sept. 1, in the Kharkiv Oblast village of Babai, when a farmer found four dead pigs which later tested positive for the virus. The entire district has been put under quarantine until Oct. 12, according to the emergency situations committee at Kharkiv City Council. The quarantine zone includes everything within a three-kilometer radius of the farm, and the authorities will carry out a survey of every farm within a 20-kilometer radius.

#### **Talks with Russia**

Ukrainian Finance Minister Oleksandr Danyliuk said on Sept. 28 that he is ready for talks with Russia on Ukraine's \$3 billion debt to its neighbor. Danyliuk said this in response to questions about whether the talks would be held during the International Monetary Fund meetings in Washington between Oct. 7-9. On Sept. 12, Russian Finance Minister Anton Siluanov said he plans to meet his counterpart in the United States, and is open to an out-of-court settlement.

Russia filed a suit against Ukraine at the High Court in London in February over Ukrainian bonds bought by Russia to bail out then Ukrainian President Viktor Yanukovych in December 2013.

Ukraine issued a moratorium on repayment to Russia in December because of Moscow's refusal to accept the restructuring terms agreed by international creditors, according to Ukraine's then Prime Minister Arseniy Yatsenyuk.

The talks set to take place this autumn are part of the "good faith" terms agreed by Ukraine with the IMF to receive the latest tranche of support from the international



A film crew shoots a scene of the movie "Old Miller's Tales" in Ukraine's Pyrohovo Outdoor Museum in Kyiv **Oblast in August 2015. (UNIAN)** 

# Ukraine tries to lure filmmakers

#### **BY VERONIKA MELKOZEROVA** MELKOZEROVA@KYIVPOST.COM

When Ukrainian filmmakers get together in one place, one wouldn't expect the first topic of conversation to be government legislation.

But that was the case at the Film. Ua studio in Kyiv's Troyeshchyna district on Sept. 23, where more than 100 Ukrainian filmmakers gathered to watch previews of upcoming shows on Ukrainian TV. Everyone was also discussing the new bill on state support for cinematography passed by the Ukrainian parliament on Sept. 22.

"With this bill, our lawmakers have opened the way for Ukraine to become a new powerful player in the international cinema business." Victoria Yarmoshchuk, the head of the Media Resources Management consulting company, told the Kyiv Post at the screening.

to create a law that would transform the country's cinema business.

Furthermore, after two years of bans on TV series and films glorifying the Russian military and police, the domestic TV and film industry has started developing, said Ulyana Feschuk, the deputy head of the National Television and Radio Broadcasting Council of Ukraine during the Sept. 19 opening of Kyiv Media Week, a media business networking forum.

In 2014-2015, two new subscription channels with original Ukrainian content appeared in Ukraine - Film. Ua Drama, created by the Film.Ua studio, and Kvartal TV, created by Studio Kvartal 95 and 1+1 media.

And media groups StarLightMedia and Film.Ua Group, which previously focused on the television market, have started making movies and animations for theatrical release.

"We must share the content made

"Our partners from EY (Ernst &Young) calculate that every euro compensated to filmmakers from the state budget will bring back four euros to the state," said Film. ua studio lawyer Yevheniya Durbol during a Kyiv Media Week meeting on Sept. 23.

The foreign filmmakers will qualify for the 25 percent rebate only if they spend from \$320,000 to \$400,000 on shooting in Ukraine.

"Finally Kyiv and other Ukrainian cities and towns will get the chance to become top tourist destinations for movie lovers from all over the world," said Anatoliy Maksymchuk, the deputy head of StarLightMedia group. "It will be like what happened with Barcelona, after U.S director Woody Allen shot his famous movie 'Vicky Cristina Barcelona' using the financial support of the Barcelonan and Catalonian local authorities."

#### 23 that local budgets could not cope lender.



Piglets at a pig farm in the Khmelnytska region in July 2013. Ukraine has seen 50 cases of African swine flu in 2016. The virus is deadly for animals but does not affect humans. (UNIAN)

The new bill on state support for cinematography, dubbed the "Cinema State" bill, is designed to make Ukraine a more attractive shooting location for foreign filmmakers through a system of rebates.

Foreign and Ukrainian producers will be able to claim a rebate of 25 percent of the production costs of movies shot on the territory of Ukraine, as well as 10 percent of the sum spent on wages to Ukrainian film crew members. Ukrainian filmmakers will also be able to claim 80 percent state financing, instead of 50 percent, as had been the case before the bill was passed.

Pylyp Illenko, the head of Ukraine's State Film Agency, was optimistic about the future effects of the bill, saying that the heads of the Ukrainian film studios, who are usually competitors, had come together

in Ukraine with as many foreign countries as possible", Volodymyr Zelenskiy, the creative director of Studio Kvartal 95, said at the opening of Kyiv Media Week.

Ukrainian content is indeed moving further afield: Ukrainian producers sold original TV series and shows to Japan, France, China and other countries in 2015-2016

And Studio Kvartal 95 managed to sell its own original product, the political comedy series "The Servant of the Nation," to U.S Fox Studios for adaptation, and to Netflix for screening.

#### Win-win situation

The rebates will be paid to filmmakers directly from the state budget the money for the rebates will come from taxes paid by cinema studios and from the proceeds from state lotteries.

Maksymchuk went on: "A well-developed system of financial benefits for cinematographers will mean there is a chance for the rebirth not only of Ukraine's cinema business, but also for the country's tourism and services industries. It will mean new taxes paid in Ukraine, new jobs for Ukrainians, and great international promotion."

The state will also help to promote Ukrainian cinema, with trailers for new Ukrainian movie releases shown on TV and on the internet for publicity purposes.

Zelenskiy, the creative director of Studio Kvartal 95, said that "we must not afraid the fierce competition with Western cinematographers.Quite the opposite - competition is the best stimulant for growth and development. I'm pretty sure that here in Ukraine we can produce high-quality content."

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October 21

Medical services in Ukraine

# EIB gives €400 million boost to credit-starved agricultural industry

#### **BY DENYS KRASNIKOV** KRASNIKOV@KYIVPOST.COM

Ukraine is a big player on the global agricultural market, especially in exports of crops and meat. The sector accounts for 10 percent of gross domestic product and employs 15 percent of the working-age population.

But with smaller farmers forced to lease land without the possibility to buy it and, at the same time, using aging, inefficient machinery because they can't afford newer equipment, Ukraine can't do much better.

Against this backdrop, the ratification of an agreement with European Investment Bank – an €400 million investment program designed specifically to boost Ukraine's agricultural business - seems to be the right step towards rescuing the most promising sectors of the country's economy.

Ex-Prime Minister Arseniy Yatsenyuk signed the covenant with the European Investment Bank on Dec. 28, 2015. Verkhovna Rada deputies ratified it on Sept. 20, almost one vear later.

This, along with an increase in the total volume of capital investments of up to \$6.5 million over the first six months of 2016 - 74 percent more than during the same period in 2015 - shows that the investment hole is being partially plugged.

At the same time, the farmers'



Farmers prepare cows for milking at AIS farm on Oct.13. Although conditions for country's agriculture are not ideal in many ways, the fertility and amount of arable land keeps Ukraine among the world leaders. (Volodymyr Petrov)

inability to dispose of their own land still limits the Ukrainian agriculture sector.

#### **EIB investments**

Investment in agriculture has always been crucial for the economic development and food security of Ukraine. But since many farmers are already in debt to banks or suppliers of fertilizer and plant-protection chemicals, and since agricultural loans are not guaranteed by the government, few banks are willing to grant long-term credits

Thus, Ukraine has no choice but to rely on European investment programs.

And one of them is a loan program by the nonprofit European Investment Bank (EIB), the world's largest public lending institution, established back in 1958 under the Treaty of Rome. It's owned by the EU member states.

"The EIB credit mediated by Ukrainian banks will simplify farm-

more EIB on page 9





Volodymyr Igonin counsel at Vasil Kisil & Partners. attorney-at-law

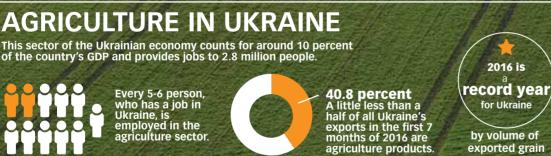
The agricultural sector is among the most successful and profitable sectors in Ukraine. Some even compare it with a locomotive for the development of the country. But what if this locomotive is a steam one? Can it haul Ukraine from a soviet economy to the modern post-industrial highly competitive world? To pass this route the agro sector sorely needs new effective technologies and investments. Strategic investors, who seek for predictability of rules on the market and protection of their investment, face in Ukraine so-called "moratorium". Due to its effect, for so long as 15 years, a major part of Ukrainian farm lands cannot be sold in ownership and are available for rent only.

Top officials of the Ukrainian Ministry of Agriculture acknowledge the problem but complain about sensitivity and too politicized background of the moratorium issue. These political concerns impede lifting the moratorium to allow for more or less free agricultural land market. Instead, in August 2016, the Ministry of Agriculture published on its site a draft Law "On Introducing Changes into Some Legal Acts of Ukraine regarding Agricultural Lands Turnover" (the "Ministerial Draft"). The draft law suggests changes to the Land Code, the Civil Code, the Land Lease Act, the Mortgage Act, and other legislation, aimed at bringing to the market a new asset - a right to rent an agricultural land. Under the law, a minimum term of an agricultural land lease is seven years. So, in most cases, such land lease or emphyteusis will be long-term, but within a statutory maximum of 50-years.

Currently, the Land Code defines that only a landowner can dispose or pledge a right to rent its land plot. The Ministerial Draft gives such capacities also to a tenant or another authorized person. It may be, for example, a bank that holds land as a security for a loan. An authorized person (a tenant, a bank-pledgee, etc.) who intends to dispose a right to rent the land plot must inform the landowner. If, within one month, the landowner has not consented to buy the right to rent the land such right may be sold to a third party. The landowner has the right to receive certain interest from the sale price.

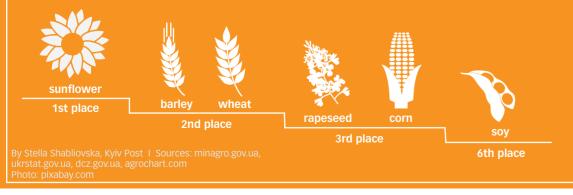
Practitioners are not very enthusiastic about the perspectives of the market of rights to rent farm land. First, no right to rent a land plot, even for a long term, gives a comfort of the ownership. Hence, many investors will remain reluctant to invest in the agro sector without obtaining land in ownership. Second, from the legal procedures perspective, transactions with rights to rent lands are not clear and smooth enough to become popular among farmers, at least in the short term. Third, banks do not treat a right to rent land as a good security for crediting. One of the reasons for this is the National Bank's official position.

The concept of marketing rights to rent a land plot is also not common in the world. In the EU, all member states allow selling agricultural lands. However, some countries have restrictions on the maximum area of land in ownership, a person of a landowner as well as set certain privileges for the local residents. In 2015, certain provisions of national laws of Bulgaria, Hungary, Lithuania and Slovakia which restrict agricultural lands turnover were subject of the European Commission's investigation. In the Commission's view, some provisions restrict the fundamental for EU principle of free movement of capital and freedom of establishment. For Ukraine, this is important point because under the Association Agreement with the EU Ukraine committed to incorporate the relevant EU acquis into its national legislation.



for Ukraine by volume of exported grain

Ukraine's place in the world's agricultural exports ranking In the first seven months of 2016, Ukraine exported \$7.8 million worth of agricultural products, while the value of agricultural imports to Ukraine fell by \$5.5 million.



Ukraine's agriculture sector is among the most crucial to the country's economy, accounting for 40 percent of exports.

Overall, we welcome the Ministry's effort to revive the turnover of agricultural lands restricted under the moratorium. However, a right to rent farm lands will not adequately substitute an ownership right. The approach of the Ministerial Draft suggests will unlikely become a sustainable solution. We hope for the sooner launch of the civilized buy-sell market of farm land which will attract so expected investments into Ukrainian agricultural sector.



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## **8** Business Focus

#### **BUSINESS ADVISER**

### **End of special VAT regime** for agribusiness



According to 'Finalization Provisions' of the Tax Code, the special VAT regime for agricultural producers will end on Jan. 1, 2017. As a reminder, the issue concerns a form of rebate, in which Art. 209 of the Tax Code currently allows taxpayers to retain from 15 to 50% (depending upon the type of agricultural products sold) of the VAT collected from sale of the agricultural products

Advertisement

**Alexander Minin** Senior partner. Attorney at Law

they produce after the return of input VAT. While there were and still are some attempts to extend such regime to future periods, the current position of the government, which seems likely to prevail in the end, that there will be no further extension of this regime. Therefore, agricultural producers should probably prepare

to live without such rebates.

The issue not only affects agricultural producers currently under this regime, but also buyers. As a matter of principle, the elimination of this special VAT regime may be welcomed by business buyers of agricultural products, as this shift takes away incentives for various manipulations with agricultural products in order to get VAT benefits. When for the buyer the VAT paid to the supplier is fully recoverable as a VAT credit or state refund, and the seller can keep a portion of the received VAT, there is strong incentive for the seller to increase that portion. For instance, one trick is to buy for cash from individuals, and then sell on products with VAT rebates as the buyer's own production. Because such producers are mainly on fixed agricultural tax in lieu of income tax, there is no need to recognize such expenses. Another "option" can just be sham deals, when no real products change hands, but merely the respective paperwork. While the "benefits" of such operations may technically be utilized only at the level of agriproducers under that regime, the tax authorities mainly try to attack the buyers of agriproducts if there are any suspicions, as they are more easy targets with real money to collect in fines. Removing tax incentives may hopefully bring a final "peace" to this sphere, and provide much relief to businesses dealing with agriproducts down the chain

However, on Jan. 1, 2017, with the official ending of this special regime, it may not vet be the end of the story. For a couple of years after we may see various "projections" of the past from this regime.

The issue also concerns the transition to a general regime - for instance, if a prepayment is made now, when the supplier is still under the special regime. Under the current rules of VAT recognition of the "first event" (prepayment or supply, whichever comes first) the buyer shall get a VAT credit and a VAT refund, while the seller retains the respective portion of VAT, even if no supply is yet made. In such a way, the application of this regime may be extended for at least one more season beyond 2016. In fact, something like this also happened last year, when the portion of VAT to be retained by the seller was reduced from Jan. 1, 2016 from 100% to the current range of from 15 to 50%. Reportedly, there were "presales" at the end of 2015 aimed at "catching" the outgoing 100% benefit. Last year, the change was additionally complicated by the change in the VAT regime for exported agricultural products: while earlier no VAT credits and refunds were allowed, from Jan. 1, 2016 VAT credits and refunds were allowed regardless of the date of purchase of the exported products (as the export would already be made after Jan. 1, 2016). Therefore, there was clear incentive to buy (or even just prepay) before Jan. 1 and export in 2016. However, this was only for those who were sure such change would happen by the very last days of the year 2015, or for those who were "clever enough" to make respective documents at the very beginning of 2016 and backdate them to 2015 within the deadlines for the registration of VAT vouchers under the Tax Code. In any case, the benefits from the "edge" of this change in the VAT regime at the beginning of this year were mainly "insiders" who were able to "cope" with the tax authorities.

It seems that with the anticipated ending of the regime, we will see the same "game", which is not fair for everyone. In order to deal with the potential transition issues discussed above, the Cabinet of Ministers registered on Sept. 15 draft bill No. 5132. This draft envisages that until Jan. 1, 2019 no VAT refunds (including ones already claimed by the date this provision comes into effect) will be provided with respect to VAT paid on agricultural products not yet actually received. This looks like an offer to play a corruption game. Refunds may be available only until Jan. 1, 2017 (the date that this rule is expected to come into effect) and then probably halted for the whole agrichain for two years. As the terms of VAT refunds effectively depend not only on the law, but also on the discretion of the tax authorities issuing respective "tickets" to the state treasury, being in time for the deadline is also a matter to be determined by the tax office. The risk of a complete halt in VAT refunds in relation to agricultural products after Jan. 1, 2017 arises because the tax authorities cannot tell from the standard tax reports whether a claim for a VAT refund refers to already supplied products. Therefore, we may anticipate that everything will come to a halt until there are checks by the relevant tax audits, the right to which is also renewed by the said draft bill. When there is such a audit, nobody can exclude that the tax authorities will not play their "old game" of claiming that no actual supplies were made, and the operations were just sham deals. Another question is over the "queue" for such audits: who will be audited and confirmed first by the auditors. By the way, the current wording of respective provision of the draft bill limits VAT refunds not just to purchases from agriproducers under the special VAT regime, but on any purchases of agriproducts even further up the chain - which is unsafe position for those not buying directly from agriproducers under the special VAT regime.



Mriya CEO Simon Cherniavsky at the company's Kyiv offices on Sept. 29. Cherniavsky is attempting to pay creditors \$330 million in debt as part of a restructuring plan, but raider attacks by the company's former owners have slowed down the attempt. (Kostyantyn Chernichkin)

# Government faces test over Mriya corporate raid

#### **BY JOSH KOVENSKY** KOVENSKY@KYIVPOST.COM

One of Ukraine's largest agricultural companies is under attack from its former owners in a case that could prove to be a litmus test for how the government protects investor rights.

Mriya Agro Holding, which is on the path to repaying \$1.1 billion in debts to foreign creditors, now faces an obstacle in the form of raider attacks from its former owners, who are suspected of mass embezzlement of foreign loans.

#### The raid

The morning of July 1, a group of armed men drove up to a Khorostkiv, Ternopil Oblast logistics facility belonging to Mriva Agro Holding. The assailants swarmed the business, and in spite of a legal counter-siege laid by Mriya's ownership, the occupiers haven't vet left.

"It was quite a shock," said Simon Cherniavsky, CEO of Mriya. "It was the central base for all our trucking logistics."

controls more than 180,000 hectares of land in western Ukraine.

Mriya is attempting to fight its way out of \$1.1 billion in debt via a restructuring plan that could see it pay off \$330 million to creditors the maximum that the company can afford to pay while staying in operation.

The company's former owners the Huta family, which absconded from Ukraine with at least \$300 million in allegedly embezzled funds after cooking the company's books in a way that attracted hundreds of millions of dollars in foreign investment - are now harassing the company through systematic raids on Mriya's assets.

"The Huta family has enough power in Ternopil region, where most of the land is located, to block operations for the company and even seize some assets," said Alexander Paraschiy, research head at Concorde Capital.

The Mriya issue has repeatedlv been raised by foreign investors and businessmen as an example of the complete absence of creditor's

#### Deep in debt

Mriva was founded in 1992 by Ivan Huta and his wife, Klavdiya, as a farming conglomerate in Ternopil, 366 kilometers west of Kyiv.

Throughout the 1990s and through the 2000s, the company expanded, acquiring more land before going public on the Frankfurt Stock Exchange in 2008. By May 2013, Mriya had issued more than \$400 million in Eurobonds to a range of international buyers.

But within a year, the company would be on the verge of collapse, with the Huta family preparing to flee the country.

Mykola Huta, the son of the founders, had become CEO, and had not been investing the loans and Eurobonds into developing the company. Rather, in a well-documented fraud, the money had been siphoned off to an offshore firm via sham contracts negotiated with related companies for supplies.

The Panama Papers release in April 2016 revealed a vast network of sham firms that the Hutas alleged-

As such, the discussed transition might be harmful to taxpayers because of a lot of uncertain points are left to be decided by the tax authorities. To protect the interests of honest taxpayers, the suggested transitional provisions have to be substantially reworked.

**KM Partners** 

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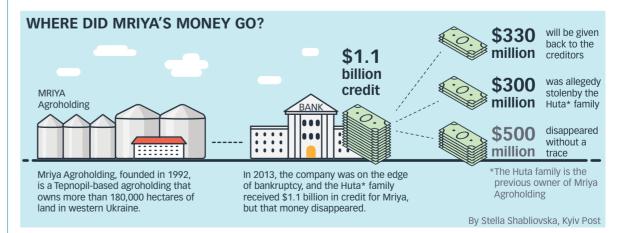
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The raid was the latest dispute in the saga of Mriya Agro Holding, the Ternopil-based agricultural firm that

rights in Ukraine. Cherniavsky called resolving the restructuring and ongoing attacks by the former owners a "litmus test" for the government.

ly used to commit the embezzlement. The company was audited by

more Mriya on page 9



Mriya Agroholding, one of the largest agriculture firms in Ukraine, faces the daunting task of paying back \$330 million in debt after foreign creditors tentatively agreed to forgive most of a \$1.1 billion debt sum.

## **Business Focus/Opinion 9**

# Huta family attempting to recapture control of Mriya

#### Mriya from page 8

E&Y, but the firm appears to have missed signs that Mriya's books were incorrect.

"There was some negligence," Cherniavsky said, adding that Mriya management was uninvolved in discussions in the matter. E&Y did not reply to a request for comment.

Throughout the spring of 2014, the company began to fail to pay off its debts, and failed to pay interest on any of its bonds.

Andrei Pavlushin, the general director of OTP leasing, a Kyiv-based company that rents out agricultural equipment, said that payments from Mriya slowed in February of 2014 and totally stopped by August of the same year.

The company defaulted in August, months after the Huta family had already fled Ukraine, with Mykola Huta currently residing in Switzerland. He is the only family member facing criminal prosecution; as the others were not officers of the company at the time of the alleged fraud, they appear to have escaped liability.

Cherniavsky said it is difficult to estimate how much was stolen, but that "at the local level, everybody was selling, buying, stealing, funneling off small stuff, but on the scale of Mriya, that's tens of millions of dollars a year."

One estimate places the theft at \$300 million, while the company was left \$1.1 billion in debt.

did not reply to a request for comment. Mykola Huta could not be located.

Andriy Huta, another Huta son,

#### Finding a way out

Since the Hutas fled, the company's foreign creditors have managed to install their own representatives at the top of the company. After months of negotiations, Mriya reached a preliminary deal on Sept. 12 that would see the company pay back around \$330 million of its debt - the maximum that it can afford to pay.

"It was a difficult decision for the creditors, but there's no other scenario, as I understand," said Pavlushin.

"Any other amount was not affordable by the company," said Paraschiy, the Concorde analyst, before adding that ongoing attempts by the Hutas to take back the firm's assets placed the deal in jeopardy.

On the day of the company's August 2014 default, for example, prosecutors say that Mriya signed contracts allocating nearly Hr 300 million (\$11.5 million) in equipment to firms controlled by associates of the family.

Mriya has yet to take back its occupied facility in Ternopil Oblast. The company had \$2 million in inventory and hundreds of automobile units in the seized facility.

Taras Didyk, a former Mriya lawyer, spearheaded the raid. Didyk claims he owns the facility through a contract awarded to a company called "Global Feed." A call to "Global Feed" was answered by a man who said he was unrelated to the company. Didyk did not reply to additional requests for comment.

Mriya's options for solving the crisis are limited, said Rostyslav Kravets, a Kyiv attorney who specializes in corporate raiding cases. Kravets said that Mriya could go to court, but that any decision would be unlikely to be enforced.

Mriya has already received a decision in the matter from a Dnipro court, but cannot enforce it.

"All the state needs to do is apply the rule of law," said Serhiy Ignatovsky, Mriya's legal director.

Meanwhile, the Hutas seem to be making additional moves to muscle back into Ukrainian agriculture.

Ivan Huta has begun to register new companies. According to Ukrainian media reports, he has also met with local Ternopil oblast farmers in an attempt to convince them to work with his firm, promising "to attract foreign investors."

Additionally, 60,000 hectares of land that Mriya claims was fraudulently sold remains to be taken back. Cherniavsky says that the company intends to "push the Hutas to a settlement."

"When you have sufficient evidence and sufficient pressure on an individual or on the family, we can push them to negotiate," he said. "Everybody from the president down is aware of this issue and concerned that it be resolved within the law."

He added: "We need support."

# Reformer of the week

### Viktor Trepak

Viktor Trepak, an ex-deputy head of the Security Service of Ukraine, said on Sept. 28 that Prosecutor General Yuriy Lutsenko's proposal to decide unilaterally which cases can be investigated by the National Anti-Corruption Bureau would emasculate the bureau.



#### Anti-reformer of the week

#### Ruslan Knyazevych

Ruslan Knyazevych, chairman of the Verkhovna Rada's legal policy committee and a lawmaker with the President Petro Poroshenko's Bloc, has violently resisted efforts to cleanse the judicial system.

Knyazevych's com-

mittee has for 10 months delayed the dismissal of 20 judges who made

# Farmers' failure to gain access to cheap credit stunts sector's growth

#### EIB from page 7

ers' access to necessary funding on beneficial terms," Natalia Shpigotska, an analyst at Dragon Capital, told the Kyiv Post.

Ukraine's Finance Ministry will obtain the credit and give the money to private banks through state-owned Ukreximbank. Chosen private banks, for their part, will pick out agriculture projects seeking funding, monitor their work and assess further results.

The credit terms were set at up to 12 years, with a four-year grace period from 2016 to 2020. The maximum amount of money one project can get is  $\notin$ 50 million, but each loan can cover no more than 50 percent of farmers' projected costs.

"Ukrainian banks rarely give credits under such conditions," Shpigotska said.

Such loans will allow smaller farmers, who work 12 percent of Ukraine's agricultural land, to invest into their oil and grain processing projects, along with infrastructure ones that have long payback terms.

Ukraine's Agriculture Minister Taras Kutoviy believes the EIB program will help farms to develop in the country.

It will help "small and medium farmers to find their niche, become competitive and be capable of contributing to developing agriculture in the whole country," Kutoviy said on Sept. 20, right after the agreement was ratified.

#### **Straining factors**

Farmers' difficulty in obtaining anything other than short-term, high-interest loans, as well as the moratorium on selling plots, places severe constraints on their ability to invest in long-term capital improvements. Modern agricultural machinery can help boost production, and greater storage capacity could potentially give farmers more bargaining power on prices. Ukrainian farm managers estimate that 10-20 percent of the standing crop is typically lost due to outdated, inefficient equipment.

Meanwhile, the moratorium on land sales is likely to be kept in place indefinitely by Ukraine's lawmakers. Ukraine's Prime Minister Volodymyr Groysman said the moratorium on land selling would last at least until 2017.

"It's a very discussable issue that needs to be resolved," Groysman said at the YES conference on Sept. 17. "We need to approach it in such a way so not to make any mistakes."

The only option now is to lease land, but Dmytro Ognev, a Ukrainian cattle farmer, is skeptical about it, saying it's almost impossible to rent a plot on terms beneficial for small farmers. "Agro holdings always win tenders," Ognev told the Kyiv Post. "There's no land market."

#### **Favorable conditions**

Although conditions for country's agriculture are not ideal in many ways, the fertility and amount of arable land – 42 million hectares, or 70 percent all Ukraine's total area – keeps Ukraine among the world leaders.

Ukraine's fertility allows it to export at least 30 percent of the crops it produces, according to a fact book on Ukraine's agriculture compiled by the Business Views (2015).

For example, one of Ukraine's national symbols, the sunflower, is used to produce both cooking oil and sunflower seeds, and brings in \$3 billion in export revenues. The same amount of money is brought in by corn production. And Ukraine makes more than \$3 billion from grain and nuts exports.

Meat, soy, dairy, leather and fur, alcohol, honey and nuts bring in less money, but still make up a significant portion of the country's GDP.  $\blacksquare$ 



e week

"These changes will mean a significant reduction in the anti-graft bureau's powers, and its gradual withdrawal from key measures against top-level corruption," Trepak said.

The anti-corruption bureau has been involved in a bitter conflict with the Prosecutor General's Office. Critics say that President Petro Poroshenko and his allies are trying to restrict the bureau's independence.

Lutsenko also triggered a scandal by further politicizing the prosecution service and giving Mykhailo Ledovskikh, an ex-aide to former lawmaker Mykola Martynenko, a top job at the Prosecutor General's Office on Sept. 28. Martynenko is being investigated in several corruption cases.

Lutsenko previously caused a controversy in July by appointing Vitaly Trigubenko, an ally of President Petro Poroshenko's gray cardinal Ihor Kononenko, as chief prosecutor of Kherson Oblast.

Trepak stepped down last year, saying that then-Prosecutor General Viktor Shokin, a Poroshenko loyalist, was blocking anti-corruption efforts.

- Oleg Sukhov

unlawful rulings during the EuroMaidan Revolution.

The Verkhovna Rada missed the deadline for dismissing the judges earlier this month and had to call an emergency session on Sept. 29 to fire them, after sustained public pressure. Most of the judges were dismissed.

However, parliament has failed to fire about 778 judges whose terms have expired. Most of these judges were appointed by fugitive former President Viktor Yanukovych without any transparent competitions, and some of them have been accused of corruption.

Several civil society groups said in a statement on Sept. 19 that the Poroshenko Bloc, including Knyazevych, has been blocking the dismissal of these judges for two years.

Knyazevych has defended himself by arguing that it was up to the High Council of Justice to fire the judges. Critics say, however, that the council could be reluctant to fire them, and legal difficulties could also ensue.

- Oleg Sukhov

To nominate someone as reformer or anti-reformer of the week, write to news@kyivpost.com

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# Top criminal investigations going nowhere in Ukraine

#### Crimes from page 1

murders yet. Five Berkut riot police officers are currently on trial on charges of murdering demonstrators. However, the trial may drag on for years, lawyers say.

No cases against the suspected organizers of the murders, including Yanukovych and his allies, have yet been sent to court. But even when they are, the legal inconsistencies in the law on trial in absentia passed earlier this year may lead to any verdicts in these cases being cancelled by the European Court of Human Rights.

And there are signs that the EuroMaidan cases are being intentionally sabotaged. Important documents were destroyed by the Interior Ministry in 2014, and Berkut riot police commander Dmytro Sadovnyk fled the country after a judge made a controversial decision to release him on bail. Pavlo Dikan, a lawyer representing the slain demonstrators, doesn't believe that the judge could have made such a ruling without the approval of the high authorities.

#### Yanukovych era

Not a single corruption case against Yanukovych and his allies has been sent to court so far. Current government officials estimate that as much as \$40 billion was stolen during Yanukovych's kleptocratic rule from 2010-2014, but very little has been recovered.

Yanukovych alone faces charges in several cases, including the theft of Hr 220 million (\$8.8 million) allocated to telecommunications firm Ukrtelecom.

But some allies of the fugitive ex-president have escaped having any criminal charges filed against them at all.

One of them is lawmaker Yuriv Boiko. While the Prosecutor General's Office is investigating a 2011 deal in which the Energy Ministry under Boiko's control allegedly embezzled



Investigators work at the scene of the car-bomb explosion in central Kyiv that killed Belarusian journalist Pavlo Sheremet on July 20. He was driving to host his daily radio show in the car of his partner, Ukrainska Pravda news website owner Olena Prytula. The case remains unsolved. (Volodymyr Petrov)

Shokin's successor Yuriy Lutsenko has also failed to make Boiko a suspect.

Ånother Yanukovych associate, exiled billionaire oligarch Dmytro Firtash, has been accused by ex-Prime Minister Arseniy Yatsenyuk and others of siphoning massive amounts of the nation's wealth through gas-trading schemes. The U.S. Federal Bureau of Investigations has charged him with bribery, but there is not a single notice of suspicion against him in Ukraine.

Nor is there a notice of suspicion against Serhiy Lyovochkin, Yanukovych's former chief of staff, despite numerous graft accusations against him and the fact that his lavish lifestyle doesn't match his income as a life-long civil servant.

Many others have fled from justice. Lawmaker Serhiy Klyuyev fled the \$400 million, Boiko himself isn't even a formal suspect. country in 2015 after the Prosecutor According to reformist lawmaker General's Office asked parliament to Sergii Leshchenko, last year investistrip him of immunity in an embezgators had drafted a notice of suspizlement case, but failed to prescion for Boiko, but then-Prosecutor ent sufficient grounds for arresting General Yuriy Shokin blocked it. Klyuyev - despite there being a mass

of evidence against him.

"The Yanukovych-era cases have obviously been botched by investigators over the past two-and-ahalf years," said Vitaly Shabunin, the head of the Anti-Corruption Action Center's executive board. "Such obvious evidence could not have been killed by accident, and this could not have been done without the president's approval.'

The Prosecutor General's Office has denied accusations of sabotage, while President Petro Poroshenko's spokesman Sviatoslav Tsegolko did not reply to a request for comment.

#### **Poroshenko Bloc**

So far, no notices of suspicion have been filed against any major allies of current President Petro Poroshenko. The president's gray cardinals, lawmakers Ihor Kononenko and Oleksandr Hranovsky, have been accused of bleeding state companies dry, which they deny.

In February then-Economy Minister Aivaras Abromavicius said Kononenko had been trying to install his protégés at state firms to profiteer from them, and to impose his loyalist Andriy Pasishnik as a deputy economy minister. The case against Pasishnik was sent by the National Anti-Corruption Bureau to court in April. Another investigation by the antigraft bureau concerns an alleged corruption scheme at the Odesa Portside Plant in which an associate of Hranovsky is implicated.

Ex-People's Front lawmaker Mykola Martynenko is under investigation on suspicion of accepting a 30 million Swiss franc (\$30.9 million) bribe and alleged involvement in corruption schemes at the Odesa Portside Plant and nuclear power firm Energoatom.

#### Journalists' murders

More than 50 Ukrainian journalists have been killed or have died under suspicious circumstances since 1991.

Georgy Gongadze, editor-in-chief of the Ukrainska Pravda online newspaper, was killed in 2000. Ex-police official Oleksiy Pukach was sentenced to life in prison for the murder in 2013. But others implicated in the crime, including former President Leonid Kuchma, have never gone on trial.

Another high-profile murder is that of Ukrainian-Belarusian journalist Pavlo Sheremet, killed by a car bomb on July 20. More than two months later, no progress has been reported in the investigation.

General's Office "the biggest mafia" in the nation. It is widely alleged and denied as well – that prosecutors have protected a corrupt oligarchy for all of Ukraine's 25 years of independence. Ex-Deputy Prosecutor General Vitaly Kasko, forced out by obstructionists in the service, said taking bribes "was normal practice" during the eras of the four most recent prosecutor generals, namely Viktor Pshonka, Oleh Makhnitsky, Vitaliy Yarema and Viktor Shokin.

Pshonka, who has been charged with involvement in the EuroMaidan murders and corruption, is a fugitive from justice and was last seen in Ukraine barreling through a security checkpoint on his way to Russia.

A high-profile bribery case against top prosecutors Oleksandr Korniyets and Volodymyr Shapakin was blocked and sabotaged by Shokin and his deputies Yuriy Stolyarchuk and Yuriv Sevruk, critics say. The case was sent to court in January but the sabotage may continue.

Meanwhile, graft accusations against Shokin and ex-deputy prosecutor generals Anatoly Danylenko and Volodymyr Huzyr have not been investigated.

#### **Ilovaisk massacre**

There has been little progress in the investigation into the massacre of hundreds of Ukrainian troops by the Russian army during the battle of Ilovaisk in August 2014. Several Russian generals were charged with aggression against Ukraine in 2015 in absentia, but no notices of suspicion have been filed so far against Ukrainian generals, whom many accuse of ordering the soldiers to go into the corridor of Russian troops, where they were massacred.

Viktor Muzhenko, who is still the Ukrainian military's chief of staff, and ex-Defense Minister Valerv Heletei have been accused of negligence, incompetence and treason that allegedly led to the Ilovaisk tragedy, although they deny the accusations. In March, prosecutor Vitaly Opanasenko, who was preparing a notice of suspicion against Muzhenko and was also investigating graft cases against prosecutors, was



Ukrainian soldiers pray on Aug. 29 for their comrades who were killed during the battle of Ilovaisk in the Donbas in August 2014. (Anastasia Vlasova)

#### **People's Front**

Investigators have also failed to bring formal charges against any major representative of the People's Front party, or send any cases to trial.

People's Front heavyweight and Interior Minister Arsen Avakov has been investigated by the anti-graft bureau in several corruption cases.

#### **Prosecutors' corruption**

One big reason for the lack of rule of law and injustice in Ukrainian society is the Prosecutor General's Office itself. It doesn't operate like prosecutors in the West – who are only one part of a legal system that includes independent judges, police investigators and defense attorneys.

Instead, Ukrainian prosecutors have power over the entire legal system - including judges, accounting for the astounding 99 percent Soviet-style conviction rate of cases that go to trial. They have proven unaccountable to anyone, although the top prosecutor is appointed by the president and approved by parliament

Many lawyers and others familiar with Ukraine's broken criminal justice system call the Prosecutor fired as part of Shokin's crackdown on reformers.

#### Voting fraud

Voting fraud remains unpunished. Oleksiy Koshel, head of the Committee of Ukrainian Voters, told the Kyiv Post that he did not know of any official being jailed for rigging elections since 1991.

Investigations into vote rigging during the 2004 presidential election, which led to the pro-Western Orange Revolution and brought President Viktor Yushchenko to power, did not yield any results. This is despite the Supreme Court ruling at the time that the Central Election Commission, then headed by Serhiy Kivalov, had committed numerous violations of the law.

Meanwhile, the Party of Regions'

more Crimes on page 11

# National 11

# **Top** controversial **12** prosecutors

Editor's Note: The following top prosecutors have been accused of wrongdoing, including corruption, sabotaging investigations or fabricating cases. Prosecutor General Yuriy Lutsenko has fired only one of them, Lyudmila Yerkhova. Lutsenko's failure to fire prosecutors Yuriy Stolyarchuk, Roman Hovda and Dmytro Sus, or to prosecute Yerkhova, the prosecution service's ex-chief accountant, shows that "he is acting not as a prosecutor general who's reforming the system but as a politician who gets as many PR stunts as possible out of this agency," Vitaly Shabunin, head of the Anti-Corruption Action Center's executive board, told the Kyiv Post. "Lutsenko is a good politician but a bad prosecutor," he added. Lutsenko has denied the accusations.

Oleh Valendyuk, the first deputy chief prosecutor of Crimea, is subject to the lustration law and received a bonus from Viktor Pshonka1 for cracking down on EuroMaidan protesters in 2014. Valendyuk, an ally of Oleksandr Hranovsky<sup>2</sup>, has previously cited a controversial court ruling that exempted him from lustration but did not respond to a request for comment.

Lutsenko's reaction: he asked him to swap his job as Kyiv's chief prosecutor for a job at the prosecutor's office of Crimea but refused to fire him. Asked why Lutsenko is ignoring the lustration law, his spokeswoman Larysa Sargan said Valendyuk keeps working because Dmytro Sus is a deputy head of a prosecutorial unit accused of fabricating political cases on behalf of Ihor Kononenko<sup>3</sup> and Oleksandr Hranovsky<sup>2</sup>

Sus has been accused of torturing employees of the National Anti-Corruption Bureau, which was conducting surveillance over him in a graft case, and he has admitted that he drives a luxury Audi Q7 car. He has denied the accusations of torture, saying anti-graft bureau agents beat him up. He has also been accused of protecting Oleksandr Korniyets<sup>4</sup> and Volodymyr Shapakin<sup>5</sup> and defending Poroshenko's interests in a case involving oil and gas firm Naftogazvydobuvannya. Moreover, Sus has helped to unfreeze ex-Ecology Minister Mykola Zlochevsky's assets by failing to dispute a motion in favor of the ex-official.

Lutsenko's reaction: he resisted pressure to suspend or fire Sus since taking office and praised him but finally caved in to the demands to suspend Sus earlier this month, preferring not to fire him, however.

Maxim Melnychenko, head of the Inspectorate General, is a Viktor Shokin<sup>9</sup> protégé. Davit Sakvarelidze<sup>6</sup> and Vitaly Kasko<sup>7</sup> say he was blocking the bribery case against Korniyets and Shapakin. Melnychenko is also subject to the lustration law, which requires the firing of top officials who served under Viktor Yanukovych<sup>8</sup>. Melnychenko did not respond to a request for comment.

Lutsenko's reaction: a new Inspectorate General will be created, though it is not clear whether Melnychenko will head it.

Yuriy Sevruk, a deputy head of the Prosecutorial Academy, is a Viktor Shokin<sup>9</sup> ally. Sevruk has been accused of blocking prosecutorial reform and suspended reformers who investigated prosecutors' corruption. He has denied the accusations.

Lutsenko's reaction: he said in June that Sevruk had resigned as a deputy prosecutor general. But, according to Andriy Slyusar, Sevruk technically remains a deputy of Lutsenko and may resume his duties at any moment.

car-based protest group.

Serhiy Lysenko, an ex-deputy chief prosecutor of Kyiv's Dnipro district, was fired last year after threatening to beat up a defendant. A court ruled to reinstate him in April, but it is not clear whether he has been actually re-hired. Lysenko is an ally of Oleksandr Hranovsky<sup>2</sup> and has been photographed meeting with him. He works as an informal liaison between Hranovsky and the Prosecutor General's Office, several sources have told the Kyiv Post. Lysenko could not be reached for comment.

Lutsenko's reaction: He has so far done nothing to restrict Hranovsky's influence on the prosecutor's office.



#### **Yury Stolyarchuk**

Deputy Prosecutor General Yury Stolyarchuk, who is responsible for all investigations at the Prosecutor General's Office, has been accused of sabotaging high-profile graft cases against ex-President Viktor Yanukovych's allies and incumbent officials.

In January, a court closed a graft case against ex-lawmaker Yuriy Ivanyushchenko, a top Yanukovych associate, citing Stolvarchuk's inaction. Stolyarchuk, a key ally of Viktor Shokin<sup>9</sup>, also supervised criminal cases against the investigators who charged Oleksandr Korniyets<sup>4</sup> and Volodymyr Shapakin⁵ with Stolyarchuk bribery. has denied accusations of sabotage.

Lutsenko's reaction: he said earlier this month that he would replace Stolyarchuk when he found a stronger candidate.

Maxim Yakubovsky, the chief military prosecutor of Ukraine's southern district, has been slammed for owning luxury property, which he claims he acquired with money he had earned as a lawyer. He also has links to pro-Russian politician Viktor Medvedchuk. Lutsenko's reaction: he gave him a medal in July.

Kostyantyn Kulik, chief prosecutor of the war zone, has been charged with unlawful enrichment of Hr 2 million (\$80,000). Kulik, who owns luxury cars and expensive real estate, has denied accusations of corruption.

Lutsenko's reaction: he said he would not protect Kulik but praised him, saying he was necessary for high-profile cases. Kulik is still working thanks to a court ruling against his suspension.

Ivan Dzyuba, head of the internal security unit, is a Viktor Shokin<sup>9</sup> loyalist. He has opened numerous probes against Davit Sakvarelidze's6 team, as a result of which they were suspended. Sakvarelidze sees the probes as revenge for his team's efforts to investigate corrupt prosecutors. Dzyuba did not respond to a request for comment. Lutsenko's reaction: None.

<sup>1</sup>Viktor Pshonka is an ex-prosecutor general. <sup>2</sup>Oleksandr Hranovsky is a lawmaker, president Petro Poroshenko's grey cardinal <sup>3</sup>Ihor Kononenko is a lawmaker, president Petro Poroshenko's grey cardinal. <sup>4</sup>Oleksandr Korniyets is a top prosecutor charged with bribery. 5Volodymyr Shapakin is a top prosecutor charged with bribery. <sup>6</sup>Davit Sakvarelidze is an ex-deputy prosecutor general Vitaly Kasko is an ex-deputy prosecutor gen-<sup>8</sup>Viktor Yanukovych is an ex-president of Ukraine. Viktor Shokin is an ex-prosecutor general. <sup>10</sup>Artem Pshonka is an ex-member of the Ukrainian parliament, son of Viktor Pshonka

AutoMaidan activists and investigative journalists have accused Kostenko of seizing businesses, extorting money for Artem Pshonka<sup>10</sup>, and owning two luxury houses. He denies the accusations Lutsenko's reaction: None. Lyudmila Yerkhova, the chief accountant of the Prosecutor General's Office, has signed documents related to a suspected Hr 69 million (\$2.8 million) embezzlement scheme, according to investigative journalists. Her common-law husband owns a luxury mansion in Kyiv Oblast, the Nashi Hroshi watchdog reported on Sept. 14. Yerkhova is also subject to lustration. but escaped it in 2014 by getting a war participant card without fighting on the

war front. She denies the accusations. Lutsenko's reaction: he started a probe against Yerkhova and then allowed her to voluntarily retire earlier this month. However, the probe found no violations, which was seen by Lutsenko's critics as his effort to help her escape prosecution.

#### **Roman Hovda**

Serhiy Kostenko, a prosecutor from Mykolayiv Oblast and a

member of the Qualification and Discipline Commission at the

prosecutor's office, is an ally of Viktor Pshonka's<sup>1</sup> son Artem,

according to Sergei Hadzhynov, an activist of the AutoMaidan

The chief prosecutor of Kyiv, Roman Hovda, has been accused of supervising political cases on behalf of President Petro Poroshenko's allies, lawmakers Ihor Kononenko and Oleksandr Hranovsky and helping Korniyets and Shapakin. Hovda, a Viktor Shokin ally, has also been lambasted for supervising the Interior Ministry's activities during crackdowns on EuroMaidan protesters in 2013-2014, cracking down on businesses, and closing a case against Stanyslav Tolstosheyev, a wealthy young man who killed a woman with his car in January. Hovda did not respond to a request for comment

Lutsenko's reaction: he asked Hovda to step down as a deputy prosecutor general in May but then gave him the equally important job of Kyiv's top prosecutor, which some saw as a deception.

# Murders, multibilliondollar financial crimes go unpunished in nation

eral.



#### Crimes from page 10

alleged off-the-book ledgers show that the commission, including its current Chairman Mykhailo Okhendovsky, received millions of dollars from the party in 2009 to 2012 - supposedly for its loyalty to Yanukovych during elections.

Kivalov and Okhendovsky deny the accusations.

#### **Bank fraud**

No one has been convicted so far in any case of bank fraud – cases that

have caused losses of at least \$11.4 billion since 2008

The banking system has historically been a major vehicle of corruption, with politicians using their own pocket banks for embezzlement, money laundering and other shady schemes.

#### **Offshore schemes**

The offshore dealings of Poroshenko and his associates have not been investigated either.

In April, a massive leak of documents from the Panama-based Mossack Fonseca consulting firm revealed that Poroshenko owns an undeclared offshore firm in the British Virgin Islands. The revelations triggered speculation over whether the firm had been set up to evade taxes.

The Organized Crime and Corruption Reporting Project, a Kyiv Post partner, and Hromadske television also reported in May that Poroshenko could have illegally transferred 3.9 million euros (\$4.4 million) in cash and shares to Cyprus. Poroshenko has denied doing anything illegal.

Protesters carry a comrade who was injured during clashes with police on Institutskaya Street, close to the central Independence Square in Kyiv, on Feb. 20, 2014. (Kostyantyn Chernichkin)

The Prosecutor General's Office and the National Anti-Corruption Bureau have refused to investigate the schemes, while the ongoing investigation by the State Fiscal Service, Borys Lozhkin and Odesa Mayor headed by a Poroshenko loyalist, has

not yielded any results so far.

Ukrainian authorities have also failed to investigate the offshore deals of Poroshenko's ex-chief of staff Gennady Trukhanov.



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**September 30, 2016** 

#### www.kyivpost.com





A girl poses in a hat made by local producers at the opening of the country's biggest store stocking only Ukraine-made goods, Vsi Svoi, on Sept. 22. Many stores selling outfits made by Ukrainian designers have popped up recently on a wave of support for local producers. (Volodymyr Petrov)

**BY ANNA YAKUTENKO** 

YAKUTENKO@KYIVPOST.COM

A clothing store that stocks only Ukrainian-made items used to be a rarity, but it's not anymore.

The wave of support for local producers that has swept the market since the EuroMaidan Revolution nearly three years ago has produced a surge in demand for Ukrainianmade outfits, and the market has responded, with several new Ukrainian-brand outlets opening in the capital.

the best places to buy a stylish outfit designed and made in Ukraine.

#### Vsi Svoi Store

The biggest store stocking Ukrainianmade clothes, Vsi Svoi sells outfits from more than 150 brands. The shop, located on Kyiv's central street, Khreshchatyk, has three floors with dresses, shirts, trousers, hats, coats, menswear, lingerie and shoes. The store also plans to open another floor with Ukrainian furniture and home accessories in a few months. The store's owner, Anna Lukovkina, is also the founder of the weekend

Vsi Svoi market that takes place in D12 gallery and features goods from around 250 Ukrainian producers.

The first two floors sell mass market goods, while the third floor offers pricier collections. Prices start from Hr 250 for a t-shirt, Hr 600 for a dress, and Hr 2,000 for a coat.

Anastasia Maltseva and Anna

Shepilova quit their jobs and founded the Okno vo Dvor store in 2013.

The spot offers a great variety of

27 Khreshchatyk St. 10 a.m. – 10 p.m.

casual stylish outfits from Ukrainian brands and young designers, along with accessories, lace lingerie, and cotton pajamas. The store also stocks handmade shoes, although the available sizes are limited. The price of a dress is around Hr 600-1,200, shoes cost Hr 1,800-2,500, and bags or backpacks are priced at around Hr 800-2,300.



## Ukrainian confectioner reshapes art of cake-making

Instagram users around the globe have been wowed by amazing cakes featuring unusual geometric shapes created by Ukrainian confectioner Dinara Kasko.

Kasko started posting photos of her sweet masterpieces on her Instagram account nearly a year ago, and has since gained 193,000 followers, who are impressed both by her creativity and non-standard approach toward desserts.

But only a few years ago, Kasko, 27, who graduated from the Kharkiv Construction and Architecture University, had no plans to become a confectioner.

While still at university, she started working at local architecture companies, and after she finished her studies, Kasko continued working as a designer in Kharkiv and abroad in Europe.

#### Applying technology

Kasko said that her personal life circumstances and love for sweets inspired her to try confectionery making some three years ago.

Several years ago she got married, gave birth to a daughter and moved with her family to a new apartment. There Kasko started to do some baking.

"I loved sweets since I was a child," Kasko said. "It inspired me to start making them."

Her first attempts were simple cookies.

"My husband advised me to 'make interesting cakes' and I

The Kyiv Post has tracked down

**Okno vo Dvor** 

The store doesn't have a signboard

outside, making it a hidden gem: It is found on the third floor of an ordi-

more Stores on page 13

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followed his advice," the confectioner said.

She decided to combine her passions for architecture and confectionery, and started making cakes of unusual shapes.

Kasko uses modern technology to produce her fantastic creations. She models a shape of her future cake in 3ds Max, a computer program used by architectures and designers. Then, she prints it out using a 3D printer and uses it to make a silicon mold for baking.

Her cakes often look like futuristic sculptures, sometimes they have bizarre forms and resemble astronomical objects or modern architecture buildings. Kasko says it sometimes takes

more Cake on page 13

# Lifestyle 13



# Geometrical designs inspire cake creator

#### Cake from page 12

her an entire day to make one cake.

"When I'm making a cake for the first time it can take five or even six attempts until everything is perfect," she adds.

#### Unexpected ingredients

Kasko has never got a professional training in cooking, but attends culinary classes abroad to absorb new knowledge.

She likes to add new and unexpected ingredients to traditional cake recipes. Passion fruit is her favorite one, she says.

Kasko has not decided whether to continue making her Dinara Kasko uses 3D printing en.kicapastry.com/ sweet masterpieces technologies to make her once her maternity cakes. (Courtesy) leave is over.

"On one hand it would be nice to have a big pastry shop, but on the other hand I love doing interior design," she says.

Unfortunately for cake lovers, Kasko neither sells her cakes, nor makes cakes to order. However, she

> better: She conducts cake-making workshops and sells baking molds so anyone can recreate her unusual cakes.

translation for €55. One can register

for the workshop at course/Dinara-Kasko-Architecturein-desserts/

Kasko's silicon baking forms are on sale at the Silicomart Professional store, at professional.silikomart. com.



# New stores popping up to sell Ukrainian-made designer outfits

Stores from page 12

nary residential building in central Kyiv, near Besarabsky Market.

2 Taras Shevchenko Blvd. (the door left of the Zarina shop, with the door code 77K)

12 p.m. – 8 p.m.

#### **Kvartira 31**

Another apartment-style shop is Kvartira 31, also located not far from Kyiv's central street. The shop sells both glamorous clothes from popular Ukrainian designers and unusual outfits by those who have just started making clothes. The store offers everyday romantic-style clothes as well as stylish dresses for special occasions by Podolyan, Burba, Who is it?, and N&M, along with various accessories and underwear by Weird Bird, Leaf, O'Papa, and others.

As have other stores, Kvartira 31 gained popularity thanks to smart social media promotion, posting lots of beautiful pictures of the outfits. The store has almost 62,000 followers on Instagram. Kvartira 31 also has a shop in Odesa.

9 Kostyolna St. (second floor, door code 5K

12 p.m. – 9 p.m.

#### Myakot

When Nika Khtotskaya opened the Myakot store in 2014, it mostly featured accessories made by Ukrainian producers. Now the shop has a great variety of outfits along with bags, backpacks, crockery, and amusing icons. There are also stylish necklaces, rings, and bracelets, made from beads, bright stones, wood and other materials.

A dress costs from Hr 500, rings - Hr 200-400, and bags - Hr 500-1,500. The price for crockery is about Hr 1,200-1,800 for a plate





Ukrainian designer Katheryna Spolitak, the creator of the Woolberry brand, demonstrates how to make a purse from wool in the Vsi Svoi store on Sept. 21. (Courtesy)

and a cup, separate items start at Hr 300.

53/80 Saksahanskoho St. (third

floor, room 312) 1 p.m. – 8 p.m.

#### **482 store**

482 store offers only Ukraine-made men's and women's clothing, shoes, bags and accessories. The style of its outfits is smart-casual, and they are suitable for both the office or for a romantic dinner. Most outfits are made from a natural cloth. However, the brand doesn't offer any lingerie, sportswear, jewelry, or household goods.

482 store is located in the city center near Zoloti Vorota metro station, but one can also buy clothes at the shop in Odesa or order online via Facebook (www.facebook.com/ store482) and Instagram (www.instagram.com/482store). The price of a blouse is around Hr 1,000, shoes are about Hr 2,000, and coats – Hr 3,000-5,000.

10 Yaroslaviv Val St. 12 a.m. – 20 a.m.

#### Chrom

Chrom sells various outfits and accessories, most of which are handmade, from about 40 Ukrainian brands. It was founded by Iryna Vekta and Platon Fedorchenko in 2012. Chrom also makes its own collections of clothes and accessories, but these items are limited. The store became popular after it showed its outfits at the Mercedes-Benz Fashion Week, a popular annual fashion show held in Kyiv, in 2013.

The store sells sweaters, tops, dresses, trousers, skirts, lingerie, bags, and hats, along with rings, necklaces, earrings and brooches. Prices vary from Hr 500 – 2,000 for a sweater and top, Hr 3,000-5,000 for outerwear, and Hr 600-3,000 for accessories.

12 Vorovskoho St. *12 a.m.* − 9 *p.m.* ■

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does something even

Kasko's next

workshop will take place at the Kviv International Culinary Academy (1 Novovokzalna St.) on Oct. 24-26. English translation will be available. The work-

shop will last from 9 a.m. till 6 p.m. and will cost Hr 10,500. One can watch the live stream online with an English

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# 14 Entertainment Guide

**September 30, 2016** 



## Flamenco dance performance

Spanish dance ensemble Los Vivancos will give one of their flamboyant flamenco performances in Kyiv. Los Vivancos is a group of seven brothers who combine Spanish folk dance with modern ballet, acrobatics, martial arts and visual special effects in one performance.

Los Vivancos (dance). Oct. 8. 7 p.m. Palace Ukraine (103 Velyka Vasylkivska St.). Hr 200-1,650

## Afro-Cuban Jazz concert

Those who want to brighten up their Monday, can visit the Afro-Cuban jazz concert by the Jazz in Kiev Band. Unlike most other forms of jazz, the Afro-Cuban variation emphasizes the rhythm section, which may include bongos, congas, maracas and timbales. **Afro-Cuban Jazz. Oct.** 

3. 8 p.m. Bel Etage (16A Shota Rustaveli St.). Hr 250-450



#### Poltava-born singer Alla Moskovka, known

by her stage name of Alloise, will sing songs from her latest album "Episodes" and popular old hits. The music video for Alloise's song "Tell Me Of Fire" was screened in the United States on the MTV music channel, and has also been shown in



Switzerland, Hungary, Slovenia and other countries. Alloise (electronic, pop, RnB). Oct. 7. 10 p.m. Apelsin magic café (19 Velyka Vasylkivska St.). Hr 150-180

Alloise (electronic, pop, RnB)



# Giselle (modern dance play)

This dance play by Ukraine's top modern choreographer Radu Poklitaru is a variation of the classical ballet Giselle, but the action takes place in the present. In the story, the main heroine struggles against poverty, which is preventing her from being with her beloved.

Giselle (modern dance). Oct. 9. 7 p.m. Zhovtnevy Palace (1 Instytutska St.). Hr 250-750



## Street Food Festival

The next in the regular series of street food festivals at Platforma Art Factory offers its visitors dishes of Eastern European cuisine. One can try Belarusian potato

pancakes, Polish sour rye soup, Lithuanian cepelinai, a dumpling made from grated and riced potatoes, and Hungarian goulash soup with meat and vegetables.

Street Food Festival. Oct. 1-2. 11 a.m. – 11 p.m. Platforma Art Factory (1 Bilomorska St.). Hr 70



Art on the Waves



Art on the Waves is an enclosed art gallery a floating house. We focus mostly on social realism and realism, but also have reproductions of contemporary art. We are delighted to invite the public to our open day reception on October 6, 2016.

#### 19:00, OCTOBER 6, 2016

7 NABEREZHNO-PECHERSKA, "ART ON THE WAVES" GALLERY, KYIV.

### 100 films for 100 minutes

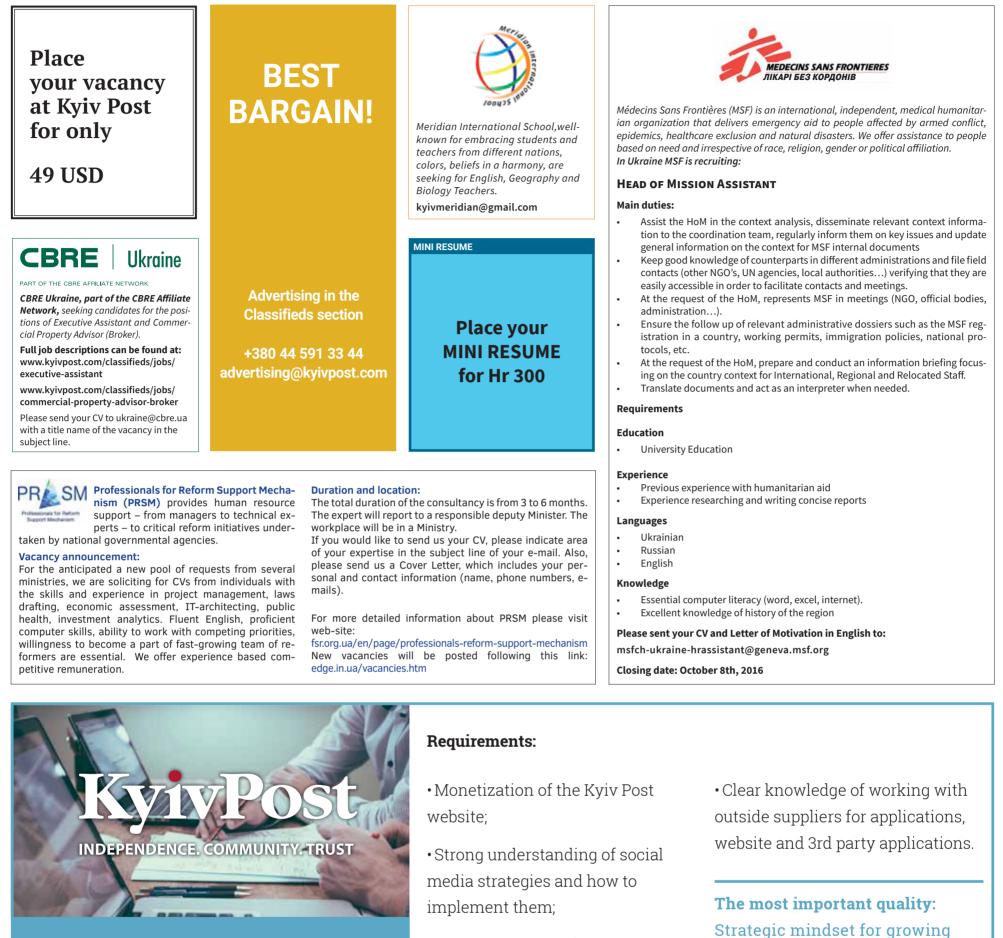
For those who tend to fall asleep in the cinema, the festival of experimental movies "100 Films for 100 Minutes" should be an eye-opener. The festival features a dynamic program of 100 one-minute-long films. The festival will show documentaries, films and animations of various genres at one screening. **100 films for 100 minute** 



100 films for 100 minutes. Oct. 6-9. 8 p.m. Kinopanorama (19 Shota Rustaveli St.). Hr 60-70

**Compiled by Anna Yakutenko** 

# Employment 15



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